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PACIFIC TELESIS
Group-Washington

ORIGINAL
FILE

May 18, 1992

RECEIVED
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Federal Communications Commission
Office of the Secretary

Donna R. Searcy
Secretary
Federal Communications Commission
1919 M Street, N.W., Room 222
Washington, D.C. 20554

Dear Ms Searcy:

Re: *CC Docket No. 92-91*

On behalf of Nevada Bell, please find enclosed an original and six copies of its "*Direct Case*" in the above proceeding.

Please stamp and return the provided copy to confirm your receipt. Please contact me should you have any questions or require additional information concerning this matter.

Sincerely,

Jo Ann Goddard Riley/
AJS

Enclosures

No. of Copies rec'd 0+6
List A B C D E

RECEIVED
MAY 1 8 1992
Federal Communications Commission
Office of the Secretary

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, DC

In the Matter of	)	
	)	
Open Network Architecture Tariffs of Bell Operating Companies	)	CC Docket No. 92-91
	)	

DIRECT CASE OF NEVADA BELL

Pursuant to the Order Designating Issues for Investigation released by the Commission on April 16, 1992 ("Designation Order"),[1] Nevada Bell submits this Direct Case showing that its Open Network Architecture (ONA) tariffs are just and reasonable and should be permitted to remain in effect unchanged.

I. THE MODEL OFFICE INPUTS TO SCIS ARE APPROPRIATE.

A. Model Office Development.

The Bureau seeks information on the data used to create the model in the SCIS model.[2]

Nevada Bell has selected model offices that are representative of offices that will be used to provide BSEs. As

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1 Open Network Architecture Tariffs of Bell Operating Companies, CC Docket No. 92-91, Order Designating Issues for Investigation, DA 92-483, released April 16, 1992.

2 Designation Order, p. 3.

required, Nevada Bell utilized the last year's demand (1990) to identify the demand on Nevada Bell's central offices. This demand was applied against those offices that will be providing the forecasted service. No sampling was required because Nevada Bell included all switching offices and remotes in the data used by SCIS to establish the model offices from which SCIS developed cost data for the vertical service functions.

B. Assumptions Regarding Switch Replacement Are Appropriate.

The Bureau requests information on the assumptions regarding switch replacement and switch capacity at replacement that are used to develop the SCIS "model office".[3] At the time the studies were performed the inputs used for the SCIS "model office" assumed that the replacement of the switches would occur at the time the switching capacity was exhausted.

II. A COST OF MONEY GREATER THAN 11.25% MAY BE APPROPRIATE.

The Bureau has directed carriers that used a cost of money greater than 11.25%, either as a SCIS variable or at any point in the ratemaking process, to explain why the use of such a "cost of money" is reasonable.[4]

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3 Id.

4 Id., p. 3.

While Nevada Bell utilized 11.25% for both the SCIS runs and the return, the use of a cost of money that exceeds 11.25% could indeed be reasonable. From a cost of service perspective, the use of the current or future cost of money will reflect the actual cost to the firm. This cost changes over time as a result of demographic and economic shifts in our society. Additionally, the changes in cost of money are generally small shifts. As a result, a small shift in the cost of money will not have a material affect on the SCIS run or the return component of the annual cost.

III. DIFFERENCES BETWEEN BSE RATE AND UNIT COSTS ARE JUSTIFIED.

The Bureau is concerned that some BSE rates do not appear to represent the aggregate of direct costs plus overheads and directs carriers either to demonstrate that the unit costs it used are in fact equivalent to the tariffed rate or to justify the difference between the rate and unit costs (direct cost plus overheads).[5] The Bureau has questioned Nevada Bell's rates for Calling Billing Number Delivery (ANI), Multiline Hunt Group and Multiline Hunt Group Uniform Call Distribution Line Hunting.

Calling Billing Number Delivery (ANI), filed in the November 1, 1991 ONA filing, has a monthly rate of $0.000253. The demand and cost of this BSE was so low that it resulted in no change in the unbundled Local Switching rate (LS2) corresponding

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5 <u>Designation Order</u>, p. 4.

to this BSE. Had the rate been priced any closer to cost, the LS2 rate (and therefore, the LS1 rate developed using Part 69 rules) would not have been offset. Nevada Bell priced the BSE in order to lower the unbundled Local Switching rates and achieve revenue neutrality.

Multiline Hunt Group has a monthly cost of $1.33 and a proposed rate of $1.75. Multiline Hunt Group Uniform Call Distribution - Line Hunting has a monthly cost of $1.79 and a proposed rate of $2.00. The current demand is all from a single switch technology. The SCIS program showed, however, that if there were additional demand in other switch technologies, it would increase the cost of the BSE. In order to avoid any underrecovery of costs due to such additional demand, a small markup was added to the direct cost.

IV. CONCLUSION.

Nevada Bell's answers to the Bureau's questions show that its rates for BSEs are just and reasonable. Therefore, they should be permitted to remain in effect without any changes.

Respectfully submitted,

NEVADA BELL

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Its Attorneys

Date: May 18, 1992

CERTIFICATE OF SERVICE

I, A.L Sweeney, hereby certify that copies of the foregoing "DIRECT CASE OF PACIFIC BELL", re CC Docket No. 92-91, were served by hand or by first-class United States mail, postage prepaid, upon the parties on the attached Service List on this 18th day of May, 1992.

By: A. L. Sweeney
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